

Message Text

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ACTION EA-09

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INFO AMEMBASSY SINGAPORE
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E.O. 11652: N/A
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SUBJ: FORTY-FIRST CANTON FAIR: GENERAL TRENDS

REF: PEKING 1055

1. SUMMARY. NCNA CLAIMED A RECORD NUMBER OF VISITORS
AND THE LARGEST TOTAL VALUE OF BUSINESS FOR ANY SPRING
FAIR FOR THE 41ST SESSION OF THE CANTON EXPORT COMMODITIES
FAIR. JAPANESE VISITORS AS USUAL DID THE GREATEST VOLUME
OF BUSINESS, BUT LARGE PURCHASES AND SALES WERE RECORDED
BY HONG KONG, AMERICAN, FRG, UK, AND FRENCH FIRMS. MANY
VETERAN TRADERS NOTED A CONSIDERABLE REDUCTION IN THE
AMOUNT OF IDEOLOGICAL RHETORIC AND A CORRESPONDING
INCREASED WILLINGNESS BY THE FOREIGN TRADE CORPORATIONS TO
MEET THE NEEDS OF INDIVIDUAL COMPANIES IN SUCH AREAS AS
LABELING, PRODUCT SPECIFICATIONS, TESTING STANDARDS, AND
DELIVERY SCHEDULES. PRICES WERE GENERALLY UP ONLY
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MODERATELY FROM LAST YEAR'S FALL FAIR AND AVAILABILITIES
WERE JUDGED TO BE ADEQUATE TO GOOD, EXCEPT FOR PRODUCTS
FROM THE AGRICULTURAL SECTOR. END SUMMARY

2. GENERAL TRENDS. THE 41ST SESSION OF THE CANTON
FAIR CONFIRMED TRENDS EVIDENT IN PEKING IN RECENT
MONTHS THAT THE PRC IS INDEED MAKING EFFORTS TO EXPAND

ITS FOREIGN TRADE. VETERAN BUSINESSMEN FROM MANY NATIONS NOTED A GENERALLY MORE POSITIVE ATTITUDE ON THE PART OF CHINESE NEGOTIATORS AND WERE GRATIFIED THAT THE IDEOLOGICAL RHETORIC WHICH DOMINATED MANY BUSINESS DISCUSSIONS IN 1976 HAD BEEN NOTABLY TONED DOWN. WHILE THE CHINESE REMAINED TOUGH BARGAINERS, THE GENERAL ATMOSPHERE OF THE DISCUSSIONS WAS MORE RELAXED AND THE CHINESE WERE FREQUENTLY MORE WILLING THAN IN THE PAST TO ADMIT TO SUPPLY AND DELIVERY PROBLEMS. ONE ENCOURAGING DEVELOPMENT FOR FOREIGN BUYERS WAS THE WILLINGNESS OF THE FOREIGN TRADE CORPORATIONS TO DISCUSS SUPPLY COMMITMENTS FOR SIX TO TWELVE MONTHS IN ADVANCE, IN CONTRAST TO LAST YEAR'S FREQUENT REFUSAL TO MAKE COMMITMENTS FOR MORE THAN THREE TO SIX MONTHS. THE CORPORATIONS WERE ALSO GENERALLY MORE WILLING TO DISCUSS INDIVIDUAL COMPANY NEEDS IN AREAS SUCH AS PRODUCT SPECIFICATIONS, LABELING, DELIVERY SCHEDULES, TESTING STANDARDS, ETC.

3. ALTHOUGH A SUBSTANTIAL PROPORTION OF CHINA'S ANNUAL FOREIGN TRADE, PARTICULARLY EXPORTS, IS STILL CONDUCTED AT THE CANTON FAIR, THE SEMI-ANNUAL SESSIONS ARE INCREASINGLY ONLY ONE OF SEVERAL LOCATIONS USED BY THE CHINESE FOR THE HOLDING OF BUSINESS DISCUSSIONS. AT THIS MOST RECENT FAIR, MANY VISITORS WERE INVITED TO PEKING TO CONTINUE DISCUSSIONS WHILE MANY NEGOTIATIONS BEGUN IN PEKING AND SHANGHAI WERE CONCLUDED IN CANTON DURING THE FAIR. DESPITE THE FAIR'S SOMEWHAT DIMINISHED IMPORTANCE IN CHINA'S OVERALL TRADING PICTURE, FAIR LIMITED OFFICIAL USE

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AUTHORITIES EMPHASIZED THAT THE TWO FAIRS WOULD CONTINUE TO BE HELD EACH YEAR.

4. ATTENDANCE. NCNA CLAIMED A RECORD 26,000 VISITORS DURING THE MONTH-LONG FAIR. ONE DIPLOMAT WAS TOLD BY FAIR AUTHORITIES THAT APPROXIMATELY 14,000 BUSINESSMEN ATTENDED (7,000 OF WHOM WERE OVERSEAS CHINESE FROM HONG KONG AND MACAO), WITH THE REMAINDER REPRESENTING NON-BUSINESS RELATED VISITORS. ESTIMATES OF NATIONAL ATTENDANCE BY DIPLOMATS AT THE FAIR INDICATE A SLIGHT DECLINE IN THE NUMBER OF VISITORS FROM WESTERN NATIONS FROM THE SPRING AND FALL FAIRS LAST YEAR. THE DECLINE MAY BE EXPLAINED BY A REPORTED PRC ATTEMPT TO SCREEN MORE CAREFULLY ITS INVITATION LIST AND TO LIMIT THE NUMBER OF REPRESENTATIVES FROM EACH COMPANY. VISITORS FROM THIRD WORLD COUNTRIES, HOWEVER, "INCREASED REMARKABLY" ACCORDING TO NCNA.

5. PRICES. PRICE INCREASES WERE GENERALLY ACKNOWLEDGED

BY MOST TRADERS TO HAVE BEEN MODERATE AND TO HAVE
REFLECTED WORLD MARKET CONDITIONS. THE CORPORATIONS
APPEARED TO HAVE MADE AN EFFORT TO HOLD DOWN PRICE
INCREASES IN AN ATTEMPT TO STIMULATE SALES. THIS WAS
IN SHARP CONTRAST TO LAST YEAR'S FALL FAIR IN WHICH
STEEP PRICE INCREASES FOR MANY PRODUCTS WERE THE TALK
OF THE FAIR. FOR MANY TYPES OF COMMODITIES, PRICES
HAVE HELD GENERALLY FIRM DURING THE LAST SIX MONTHS,
PARTICULARLY FOR TEXTILES. NOTABLE EXCEPTIONS TO THIS
TREND WERE UNUSUAL INCREASES FOR A WIDE VARIETY OF
AGRICULTURAL PRODUCTS WHICH WERE IN PARTICULARLY SHORT
SUPPLY. PRICES OF OTHER COMMODITIES INCREASED BECAUSE
OF CONTINUED STRONG DEMAND. DOWN AND FEATHERS, FOR
EXAMPLE, INCREASED BY 30 PERCENT FROM JANUARY 1977, DUE
PRINCIPALLY TO STRONG DEMAND IN THE US AND IN EUROPE.
CHEMICALS AND MINERALS AND METAL PRICES WERE ALSO
SOMEWHAT HIGHER, GENERALLY REFLECTING CHINESE ESTIMATES
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OF FUTURE WORLD PRICE INCREASES. SOME PRICES ACTUALLY
DECREASED. GOAT LEATHER PRICES, FOR EXAMPLE, WENT DOWN
BY MORE THAN 25 PERCENT FROM THE PREVIOUS FAIR BECAUSE
OF CHINESE INTEREST IN EXPANDING SALES.

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6. AVAILABILITIES. SHORTAGES OF COMMODITIES ARE ENDEMIC TO CANTON FAIRS. A DISTINCTION MUST BE MADE BETWEEN THE USUAL SHORTAGES RELATIVE TO DEMAND (FOR EXAMPLE, DOWN AND FEATHERS) AS OPPOSED TO EXCEPTIONAL SHORTAGES RELATED TO UNUSUAL SUPPLY PROBLEMS. AT THIS FAIR THE LATTER SHORTAGES WERE OVERWHELMINGLY CONCENTRATED IN PRODUCTS DERIVED FROM THE AGRICULTURAL SECTOR. A WIDE VARIETY OF FOODSTUFFS NORMALLY FOR SALE WERE SAID TO BE UNAVAILABLE FOR AN INDEFINITE PERIOD. AMONG OTHERS, THESE INCLUDED CANNED GOODS, FROZEN MEATS (PARTICULARLY PORK), SOME HERBS AND SPICES, FROZEN SHRIMP AND SOME RATTAN, WILLOW AND STRAW PRODUCTS. JAPANESE TRADING COMPANIES IN PARTICULAR WERE DISAPPOINTED IN NOT HAVING BEEN ABLE TO BUY A GREATER VARIETY OF FOODSTUFFS, IN CONTRAST TO LAST YEAR'S FALL FAIR WHERE THEY BOUGHT HALF OF THEIR TOTAL 1976 CHINESE FOODSTUFF PURCHASES. FRENCH FIRMS, WHICH LAST YEAR PURCHASED 20,000 TONS OF FROZEN PORK SO FAR IN LIMITED OFFICIAL USE

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1977 HAVE PURCHASED ONLY 2,500 TONS, AND THEY HAVE BEEN TOLD BY THE CHINESE THAT VERY LITTLE MORE WILL BE AVAILABLE FOR THE REST OF THIS YEAR. TUNG OIL WAS AGAIN SHORT. OTHERS SHORTAGES NOTED WERE OF CERTAIN CHEMICALS, METALS AND MINERALS (WOLFRAN, TUNGSTEN, TIN IN PARTICULAR). HOWEVER, IT IS DIFFICULT TO DISTINGUISH BETWEEN TRUE SHORTAGES AS OPPOSED TO HIGHER CHINESE PRICES WHICH FOREIGN TRADERS DECLINED TO PAY.

7. BUSINESS TRANSACTIONS. TOTAL TRANSACTIONS DURING THE FAIR WERE CLAIMED BY NCNA TO HAVE SURPASSED THE PREVIOUS RECORD (UNSPECIFIED) FOR A SPRING FAIR. WE ESTIMATE THAT TOTAL BUSINESS APPROACHED THE VOLUME OF THE 1976 FALL FAIR (APPROXIMATELY \$1 BILLION), WHILE GREATLY EXCEEDING THE DEPRESSED LEVEL OF THE SPRING 1976 FAIR. WHILE SPECIFIC FIGURES ARE OFTEN DIFFICULT TO OBTAIN, CHINESE OFFICIALS AT THIS FAIR CONTINUED THE PRACTICE BEGUN LAST YEAR OF RELEASING TO SOME DIPLOMATS PARTIAL FIGURES ON PRC EXPORT CONTRACTS CONCLUDED AT THE FAIR: US -- \$40 MILLION (PLUS \$20 MILLION IN IMPORTS); UK -- \$40 MILLION AFTER 20 DAYS; FRG -- \$40 MILLION AFTER 20 DAYS; FRANCE -- \$30 MILLION (TOTAL OF PURCHASES AND SALES); DENMARK -- \$3 MILLION AFTER 20 DAYS; BELGIUM -- \$6 MILLION (TOTAL OF PURCHASES AND SALES) AND AUSTRALIA -- \$15 MILLION AFTER 20 DAYS.

8. TOTAL JAPANESE BUSINESS TRANSACTIONS, AS USUAL, WERE THE LARGEST OF ANY NATION AT THE FAIR. A REPRESENTATIVE OF MITSUBISHI CHARACTERIZED THIS SPRING FAIR AS A "GOOD FAIR." THE JAPANESE EMBASSY IN PEKING ESTIMATES \$240 - \$250 MILLION IN JAPANESE PURCHASES AND SOMEWHAT IN EXCESS OF \$100 MILLION IN SALES. JAPANESE FIRMS BOUGHT A WIDE VARIETY OF AVAILABLE FOODSTUFFS, HANDICRAFTS, ANTIQUES, CHEMICALS, METALS AND MINERALS, AND TEXTILES. JAPANESE SALES WERE PRIMARILY METALS AND MINERALS, TEXTILES AND CHEMICALS. HOWEVER, BECAUSE OF HIGHER JAPANESE LIMITED OFFICIAL USE

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CHEMICAL PRICES, AND BECAUSE OF STRONG EUROPEAN COMPETITION, CHEMICAL SALES WERE REDUCED FROM THE HIGH LEVELS OF LAST YEAR'S FAIRS.

9. SINO-INDIAN TRADE RESUMED FOR THE FIRST TIME IN MANY YEARS WITH THE SIGNING OF CONTRACTS FOR \$1.6 MILLION AT THE FAIR. CHINA WILL PURCHASE SHELLAC AND SELL NON-FERROUS METALS.

10. THE CHEMICALS CORPORATION WAS A PARTICULARLY ACTIVE BUYER AT THE FAIR, PURCHASING LARGE QUANTITIES OF AGRICULTURAL AND INDUSTRIAL CHEMICALS. EUROPEAN FIRMS OFFERING AGRICULTURAL CHEMICALS AT LOW PRICES DID A LARGE VOLUME OF BUSINESS AT THE EXPENSE OF THEIR US AND JAPANESE COMPETITORS.
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